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C O N F I D E N T I A L SECTION 01 OF 03 KIEV 001081

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SUBJECT: UKRAINE: MOROZ AND THE SOCIALIST PARTY: ANOTHER

DIFFICULT "MAIDAN" ALLY

Classified By: Political Counselor Aubrey Carlson, reason 1.4 (b,d)

1. (C) Summary: Most of the attention on the failure of the "Maidan" coalition to form a coherent, effective government team in office in 2005 justifiably focused on the bitter falling out of the two main Orange parties, President Yushchenko's Our Ukraine and Yuliya Tymoshenko's eponymous bloc (BYuT), as well as on Tymoshenko's difficult, even destructive, personality. Yet Yushchenko's most unreliable partner in 2005 (and potentially in 2006, if a Maidan coalition re-forms after the elections) may well have been the pink members of the Maidan team: Oleksandr Moroz and the Socialist Party. The Socialist Rada faction seemingly opposed more government bills in the Rada than it supported, particularly on economic and national security issues. A Socialist member of the Cabinet frequently claims to be "in the opposition," and Moroz staunchly opposes Yushchenko's desire to revisit constitutional reform. What Our Ukraine and the Socialists share is not policy perspective but certain basic values and a European orientation. With the voters, the Socialists' quiet, non-confrontational opposition to Yushchenko's priorities stand it in good stead, and the party appears set to benefit March 26 from voters disillusioned with fratricidal Orange squabbling, facilitated by the Socialists' claim to being the most fervent opponent of Kuchmaism and, by extension, of the Party of Regions and Rada Speaker's Lytvyn's bloc. Over the past several years, the Socialists have overtaken the Communists as the leading "leftist" force in the country, even though they have for the first time accepted some big businessmen with dubious backgrounds into their ranks, as they seek to secure a modest but secure niche in Ukraine's evolving political spectrum. End summary.

Who's the truly difficult Maidan partner?

2. (SBU) The well-documented squabbling between former PM Tymoshenko and President Yushchenko and his Our Ukraine party over a range of policy and personality issues in 2005 detracted attention away from the other Maidan party in government which consistently undermined the ability of Yushchenko and the government to pursue his stated goals: the Socialist Party, led by its often prickly leader Oleksandr Moroz. While formally a member of the coalition government with an allotment of Cabinet seats, governorships, and other administration jobs, Socialist opposition covered the entire range of Yushchenko's agenda, from economic priorities (WTO), to security policy (NATO), to domestic policy (constitutional reform).

WTO and Economic Policy

3. (SBU) When we compared voting records of Rada factions on bills introduced in 2005 to bring Ukraine into conformance with WTO requirements, the Socialists had one of the worst voting records in favor of government-sponsored bills (note: only the Communists, SPDU(o), and Regions were worse); they also failed to support several related bills brought before the Rada March 15, including a veterinary medicine law. The Socialists vigorously opposed one of the GOU's signature accomplishments of 2005: the reprivatization sale of Kryvorizhstal to Mittal Steel, with Socialist State Property Fund Chair Semenyuk opposing the auction and calling in sick for several days to avoid any association with the sale, which went ahead as planned. While Tymoshenko attracted much criticism for her reprivatization proposals, Semenyuk and the Socialists were even more radical: they wanted to nationalize the same properties, if not more, and keep them under state control, rather than reprivatize them. Semenyuk has been featured on TV ads running a week before the March 26 elections promising to battle for more of the same if the Socialists return to government.

4. (SBU) Socialist Minister of Agriculture Baranivsky has repeatedly voiced public opposition to official GOU policy, particularly WTO-related measures, going so far as to claim that he was "in opposition to the government" - a ludicrous claim from a sitting member of the Cabinet, and one which drew calls for his resignation if he truly felt that way. Baranivsky instead clammed up; control of the Agriculture Ministry is a valuable tool for reaching out to the agrarian component of the Socialist electorate, particularly given the

fierce competition with Rada Speaker Lytvyn's bloc -- built around the former Agrarian Party.

15. (SBU) Moroz's February 17 election briefing for the diplomatic corps highlighted his many differences with Yushchenko's agenda, from WTO to NATO and constitutional reform, but demonstrated the indirect approach that has allowed the Socialist Party to remain in government and in the running for a repeat engagement after the March 26 elections, if an Our Ukraine-Regions coalition does not transpire. The Socialists were not against WTO membership per se, but they would "speak out against conditions imposed on Ukraine and could not support anything that hurt Ukrainian farmers."

NATO and security

16. (SBU) On NATO, Moroz sidestepped any mention of the Socialists' official position (Ukraine should remain neutral, without joining any security alliance) and instead stressed his support for full exploitation of cooperation within the framework of Partnership for Peace. The Socialists have a pattern of failing to support government-sponsored NATO-related bills the first time they come up for a vote, creating lost opportunities; even when they subsequently vote in favor after arm-twisting by Defense Minister Hrytsenko, the loss of other votes has torpedoed at least two important security-related bills that had no problems passing even under Kuchma-Yanukovych.

17. (SBU) In the first vote to ratify a NATO-Ukraine MOU on strategic vote (November 2, 2005), only 4 of 25 Socialist MPs voted in support; the measure fell 19 votes short of the 226 necessary. On December 14, all 25 Socialists voted in favor, but leakage elsewhere prevented passage. When we asked Moroz at the February 17 briefing why Socialist MPs had failed to vote on February 9 to authorize the annual foreign troops exercise bill (ref A), a bill routinely passed when Moroz was Rada Speaker, Moroz squirmed before replying that if Defense Minister Hrytsenko would lay out the case to the Socialist MP caucus and answer questions about Ukraine's national interests, the matter would be resolved (ref B). As with the strategic lift MOU, a majority of Socialists did vote in favor when the measure came up for a vote in late February (but again it was too little, too late, due to defections from Lytvyn's bloc and even National Security and Defense Council Secretary Kinakh's faction).

Constitutional Reform

18. (SBU) Regarding Yushchenko's headline proposal in his February 9 State of the Nation address to call for a new constitutional committee to redraft the constitution as a way of addressing real flaws (ref A), Moroz was adamant at the February 17 briefing: "I will not allow Constitutional reform to be revised." Indeed, it was Yushchenko's pledge to Moroz to support constitutional reform in early November 2004 that led Moroz to throw his support behind Yushchenko in round two of the 2004 Presidential election, creating the orange-pink alliance that carried through to the Maidan (shorthand for Independence Square, the center of the Orange Revolution events).

What are the ties that bind? Values (not policy)

19. (SBU) Given all the fundamental policy issues that separate the Socialists from Our Ukraine, and to a lesser extent BYuT (which favors more of the state intervention approach that is a Socialist staple), the basis for a productive partnership is more difficult to quantify, amounting to generally shared basic values and a European orientation. During the televised, multi-party debate March 10 on the "Svoboda Slova" (Freedom of Speech) program, deputy Socialist leader Iosef Vinnsky highlighted the contrast between policy dissonance but shared values. Those values, which Vinnsky said for the Socialists included staunch anti-Kuchmaism, were crucial for ensuring Ukraine kept moving forward toward Europe, rather than sinking back into the past morass that Kuchmaism had represented.

10. (SBU) In the same way Moroz and Interior Minister Yuri Lutsenko played a leading role in the "Ukraine without Kuchma" movement in 2000-01 and in publicizing the Gongadze affair, they have used the prominence of Lutsenko to attack the "Regions Party bandits" far more vigorously than either Our Ukraine or BYuT, which have spent more time attacking each other and have a number of dubious lesser oligarchs of their own. On the March 3 edition of "Svoboda Slova," Lutsenko concluded the four-hour marathon by ripping into previous speaker, Regions' campaign chair and former Kharkiv governor Kushnaryov, detailing a half dozen Kharkiv banks and businesses that Kushnaryov had "stolen or self-privatized" while governor, and emotionally vowing that some day

Kushnaryov and the other Regions leaders who had "stolen the country blind under Kuchma" would eventually answer for their crimes.

2006 campaign: Adding businessmen, battling Lytvyn

11. (SBU) The Socialists previously maintained a general image of being more honest than most other political forces by avoiding the practice of recruiting big businessmen onto their Rada list. That changed for 2006; at the February 17 briefing, Moroz trumpeted the Socialists' plans to "reanimate industry" due to their "strengthened industrialist lobby." Most notably, that includes No. 8 on the Socialist electoral list Volodymyr Boyko, the colorful "Red" director of the Mariupol Illich steel plant, who identifies himself as "a communist at heart" and supported Regions in 2004; No. 21 Anatoli Buhanets, Director of Kharkiv's Turboatom plant; No. 15 Myhailo Honcharov, Chairman of the Board of "East European Bank; Oleksiy Kunchenko, Chairman of the Board of Severodonetsk Azot plant (note: a disputed privatization case); and No. 9 Andriy Derkach, owner of pharmaceutical and oil businesses, as well as a media empire centered around ERA Radio and TV plus the Kievski Telegraph newspaper.

12. (SBU) The inclusion of Derkach made the most waves in early December because the Socialists simultaneously cut ties with 2002 Socialist MP candidate Mykola Melnychenko, whose 2000-01 tapes of Kuchma's conversations authorizing the Kolchuga radar sale to Iraq and Gongadze-related discussions purportedly between Kuchma, Derkach's father Leonid (then head of the Security Service of Ukraine (SBU)), then-Kuchma Chief of Staff Lytvyn, and then-Interior Minister Kravchenko destroyed Kuchma's reputation within and outside of Ukraine. The Socialists have used the Gongadze case cudgel against Lytvyn more sparingly in the 2006 campaign than in the past. Nevertheless, the parties battle for similar electorates: the central Ukrainian agrarian electorate, plus urban voters who consider themselves neither "orange" nor "blue." Moroz's rivalry with Lytvyn extends to both men's aspirations to return to the Rada Speaker's chair, and to provide the Kingmaker swing votes necessary for larger parties to form a coalition.

Overtaking the Commies, finding an enduring niche

13. (SBU) One of the interesting developments of the 2004 presidential campaign, confirmed in the 2006 Rada cycle, is that the Socialists have overtaken the Communist Party as Ukraine's leading leftist (pink-red) political force. The Communist electorate is literally dying off, its leadership bereft of any positive agenda, and its campaign all but invisible. In contrast, the Socialists, who proudly joined the Socialist International as a constituent party in January, promote a "Building Europe in Ukraine" people-focused agenda, have built a party network across the country, and can lay claim to an identity and a future.

14. (C) Comment: The above developments appear to have secured a modest yet solid niche in Ukraine's shifting political spectrum for the Socialists, who are the only political force with nearly even support throughout the country (5-7 percent), slightly higher in agrarian central provinces like Poltava and lower in Donetsk/Luhansk/Crimea. The Socialists seemingly do not aspire to large party status, are content to consolidate a certain base and focus on a certain number of clearly defined causes, and will seek common cause with the Orange parties they joined in 2004 on the Maidan if the math, personalities, and preconditions allow. While there are a number of post-election coalition scenarios, it would be safe to say that the least likely would be a government including both the Socialists and Regions. A Maidan-plus arrangement of Our Ukraine, BYuT, Socialists and Lytvyn's Bloc would likely generate as much friction between the latter two as the former two, adding to the strains which would be inherent if a "Maidan 2" coalition manages to form after the elections.

15. (U) Visit Embassy Kiev's classified website at:
www.state.gov/p/eur/kiev.
Herbst